# EXHIBIT A

# Fee Simple Appraisal

# APPRAISAL REPORT OF
# A VACANT PARCEL OF LAND COMPRISING 34.930 CUERDAS (33.92356 ACRES)
# LOCATED AT KM. 3.8, INTERIOR PUERTO RICO ROAD 687
# YEGUADA WARD, VEGA BAJA, PUERTO RICO

PREPARED FOR:

MR. JUAN PIZA-BLONDET
MR. MAURICE PIZA, ESQUIRE
ASHFORD AVENUE CORNER AGUADILLA STREET
CONDADO, PUERTO RICO 00907

PREPARED BY:

CARLOS E. GAZTAMBIDE AND ASSOCIATES, INC.
REAL ESTATE APPRAISERS AND CONSULTANTS
SUITE 1515, BANCO POPULAR CENTER
HATO REY, SAN JUAN, PUERTO RICO 00918

Carlos E. Gaztambide, MAI, MIE

PROFESSIONAL REAL ESTATE APPRAISER

LICENSE #94 GENERAL CERTIFICATION #4

SUITE 1515, BANCO POPULAR CENTER
HATO REY, SAN JUAN, PUERTO RICO 00918

TELEPHONE (787) 753-8475
FAX (787) 753-1829

June 13, 2005

Mr. Juan Pizá-Blondet
Mr. Maurice Pizá, Esquire
Ashford Avenue Corner Aguadilla Street
San Juan, Puerto Rico 00907

Re: Vacant Parcel of Land Comprising
34.930 Cuerdas (33.92356 Acres)
Located at Km. 3.8 (int.) Puerto Rico Road 687
Yeguada Ward, Vega Baja, Puerto Rico

Gentlemen:

In compliance with your request, we have finished the necessary fieldwork, research and analyses to complete the appraisal of caption property. The purpose of this appraisal is to estimate the Market Value of the Fee Simple Estate on the subject property as of December 2, 1998. The last inspection date of the subject property was June 3, 2005.

The definition of Market Value of the Fee Simple Estate and other pertinent terminology are found within or as an exhibit of the appraisal report. A detailed description and analyses of the information gathered for this valuation and our assessment of its relative importance in attaining the final conclusion of value are included in the report. The document is a complete appraisal presented in narrative format. It is self contained from the perspective that includes the necessary data and reasoning conducive to our conclusion of value. However, for the sake of brevity, some sections are presented in summary format with reference made to other sections of the report or to widely recognized and respected publications dealing with the real estate industry.

We have carefully inspected the subject property, the neighborhood, as well as the most relevant market data available. A detailed analysis of the pertinent information and its relative importance in attaining our final conclusion is included in the body of the report.

On the basis of the investigations and analysis performed, our opinion of Market Value of the Fee Simple Estate of the subject property as of the stated effective date is as stated in the Certifications of Value within the report.

**Mineable Quartz Sand Deposit**

Our geologist consultant, James Joyce, Ph D. PG, Professor of Geology prepared a full report on this subject. In his observations he states: "previous studies of the deposits indicate that they are very pure (higher than 97% quartz)". Besides he conluded: "that the volume of exploitable quartz sand below the site is estimated to be on the order of 100,000 to 260,000 cubic meters (rounded figures)". "Given the high value of the quartz sands, their occurrence at the site significantly raises the value of the expropriated property".

We prepared a Discounted Cash Flow Analysis considering all income and expenses in order to estimate the Present Value of these deposits as of the date of the taking. This is presented as an addenda to this report.

Furthermore, our Engineer-Consultant opines that the extraction and sale of deposits like the ones at the subject are incidental to any development permit and are customarily attainable. There is evidence in the neighborhood to the effect this is attainable. This evidence is included with the support documents addenda of this report.

Our conclusion of value is subject to the Contingent and Limiting Conditions included in the appraisal report. These are of general nature in order to ascertain the extent and scope of our engagement and in no way these weaken the final conclusion of value.

Respectfully submitted,

**Carlos E. Gaztambide, Juris Doctor, MAI**
Professional Real Estate Appraiser
Appraiser License #94 - Puerto Rico
General Certification #4 - Puerto Rico

**Juan Cruz, MS Eng. Mgt., MBA**
Professional Real Estate Appraiser
Appraiser License #663- Puerto Rico
General Certification #149 - Puerto Rico

# HIGHEST AND BEST USE

According to the Dictionary of Real Estate Appraisal (Appraisal Institute) highest and best use is defined as follows:

> **The reasonable probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.**

In this analysis the procedure is as follows: First, the highest and best use of the land as though vacant must be determined. If the highest and best use of the land is to be improved, then, the ideal improvements must be determined. Finally, the ideal improvements must be compared to the existing improvements (if any) and a determination made whether to maintain the property "as is" or modify the improvements.

## Highest and Best Use as Though Vacant

**Legal Permissibility Test:** The subject is located inside the special zoning rated areas under LT-B2 District as per Sheet No. 35 of the "Mapa de Zonificación Especial Cuenca Hidrográfica de la Laguna Tortuguero" of the Puerto Rico Planning Board.

The LT-B2 District ("Laguna Tortuguero-Bosque de Mangle") was established to identify and protect of irreversible damage to wetlands and associated systems like mangroves forests and salty ponds. The only presumably uses in wetlands, mangroves and salty ponds are: activities related to aesthetic values, refuge and species breeding places, the coastal protection, scientific investigation, passive recreation as long as they do not affect the natural ecosystem, plus the construction of fisherman's piers without affecting the mangroves.

The B-2 zoning is not an absolute negation to development because R-1 and R-3 equivalent subdivisions have been approved not only on the main tract owned by Mr. Pizá Blondet but in numerous properties that have this zoning and subsequently were approved for development presumably because these do not represent an adverse factor with respect to the protection of the lagoon. To that effect, we are presenting an aerial photograph showing numerous residential developments to the east and south of this lagoon. Furthermore, we have included as an exhibit of this appraisal the Declaration prepared by Carlos E. Gaztamnide, Juris Doctor, MAI that includes numerous exhibits that prove development of the subject property is possible.

Based on the above, there is a reasonable probability that the subject may be approved for medium density residential development if adequate protection to or mitigation of the wetland is provided.

There is evidence that as an incidental legal practice under a development scheme, the sand deposits on the subject may be substituted with stable borrow fill that exists in another portion of the main tract. The value of the sand deposits is estimated in an addendum of this report.

**Physical Possibility Test:** The subject property is a suburban vacant parcel of land located at Km. 3.8, Interior, Puerto Rico Road 687, Yeguada Ward, Vega Baja, Puerto Rico.

The subject is located in a Zone AE (inside the 500 year flood plain) according to the Flood Insurance Rate Map #72-0000-0040-E, revised on June 2, 1999. According to an evaluation of the Sheet No. 7B of the Puerto Rico Planning Board Flood Rate Map, about half or the west section (56%) of the subject property is located within Zone 2 with the remainder 44% east section of the subject within Zone 1.

Within Zone 2, the Puerto Rico's Department of Natural and Environmental Resources (DNER) authorizes development if adequate precautions are taken to fill the land to elevations that protect the property from rising waters and/or floods. On Zone 1, the DNER does not condone development in areas with this classification.

Based on the Site Environmental Assessment Report conducted by Dames & Moore on May 29, 1999 for the Environment and Natural Resources Division of the U.S. Department of Justice the wetland and upland coverage of the subject property was estimated in 15 acres of wetlands (44%) and 19 acres of upland (56%). We assumed these figures as true and correct.

To the southwest of the subject property, in a parcel of land segregated from the main farm from which the subject was segregated and property of Mr. Juan Pizá-Blondet, is Haciendas de Tortuguero. This is a residential subdivision of 44 units with several units that have been completed and with several units under construction. Haciendas de Tortuguero is being developed inside the Conservation Resources Zoning District of the Tortuguero Lagoon Special Zoning Regulation.

Based on the characteristics of the subject property and the trend in the neighboring parcels, the subject is suitable for residential development in the upland section.

**Financial Feasibility Test:** As previously mentioned, based on the Site Environmental Assessment Report conducted by Dames & Moore on May 29, 1999 the wetland and upland coverage of the subject property was estimated in 15 acres of wetlands (44%) and 19 acres of upland (56%). We assume these figures are true and correct.

For the wetland section of the subject property, the possible use is for conservation or mitigation while for the upland section is for medium density residential development.

For parcels of land with wetland sections, as the subject property, the possible use is for conservation or for mitigation. In the case of conservation, it is possible to establish a Conservation Easement for the donation of the subject property to the Puerto Rico's Government (ELA) or to a non-profit organization with its main purpose to protect or conserve areas with natural or cultural value. Based on this donation, it is possible to receive a tax benefit that consists of a deduction in gross revenue on the income tax return of the donor.

In the case of the of the mitigation process, when the developer has a project that impacts a sensitive property and as a consequence mitigation is necessary, he needs to go to the open market to obtain a parcel of land with the same zoning classification and similar physical characteristics in order to comply with the requirements of the governmental agencies.

For the upland section of the subject property it is possible to develop of a medium density residential project. As previously stated in the legally permissible section of this section, the B-2 zoning is not an absolute negation to development. R-1 and R-3 equivalent subdivisions have been approved in numerous properties that have this zoning and subsequently were approved for development presumably because they do not represent an adverse factor with respect to the protection of the lagoon. To that effect, we are presenting an aerial photograph showing numerous residential developments to the east and south of this lagoon.

According to a study prepared by Estudios Técnicos for the Puerto Rico Bankers Association for the period of 1999 to 2003, the demand for housing in the Vega Baja area is strong. There are a good number of residential projects that have sold successfully in the city of Vega Baja. One of the reasons why Vega Baja is so good for the residential market is because it is an alternative location to the San Juan Metropolitan Area due to its convenient commuting distance offering good housing at competitive prices.

**Maximal Productivity Test:** At present, no alternative use to residential development for the middle class market segment is forecasted to generate the return which such development would yield.

**Conclusion**

Given the subject's location, and the trends of the neighborhood, the residential use of the subject for a residential development is forecasted to produce the highest net return to the site over a typical holding period.

**Comparable Land Sales Analysis for the Upland Section of the Subject Property**

The Comparable Sales Number L-1 and L-2 are located southwest of the subject property and were segregated from the main farm from which the subject was segregated and property of Mr. Juan Pizá-Blondet. Both sales are part of Haciendas de Tortuguero. Comparable Sale Number L-1 was sold with an approval for 44 single-family residential units on lots with minimum areas of 900 square meters. Comparable Sale Number L-3 is located at the southwest of the subject property in the same neighborhood. These comparable land sales enjoy the same amenities as the subject property.

For the our market analysis, the only significant valuation factors of the comparable land sales with respect to the subject property are the market condition and the contributory value of the residential development permits. In the case of the first two comparable sales they were sold by the same seller to the same buyer but L-1 was sold with an approval for 44 single-family residential units and the L-2 was sold without any approval. Based on the sales price in both transactions, it is possible to conclude that the participants in the sale did not recognize any difference for the residential development permits.

Comparable Sale Number L-3 was sold with residential development permits for the development of the third and fourth phases of Ciudad Real residential subdivision. When we use the paired sales analysis, it is possible to establish the contributory value of the development permits. When we made the analysis between the Comparable Sales Number L-1 and L-3, we obtained a contribution of about $2,200 per cuerda attributable to the development permits. As result of the same analysis for Comparable Sales Number L-2 and L-3, we obtained a contributory value of about $5,100 per cuerda. The central tendency of these two indications is $3,700 per cuerda and this figure, extracted from the market will be used in our analysis as an adjustment in the Land Sales Comparison analysis.

In this particular market segment, the size of the available properties is not a significant valuation factor because more land may be considered better because it represents greater profits.

**Conclusion of Value for the Upland Section of the Subject Property**

We have included three comparable land sales for the purpose of this analysis. All the comparable land sales adequately sustain the market unitary value attributable to the subject property as though vacant. The previously analyzed unitary market indications, provided by the market, ranged from $49,300 to $52,000 per cuerda. After quantitative and qualitative considerations, the comparables have been arranged in ascending order according to their unitary values per cuerda.

| Land Sale Number | $/Cuerda |
|---|---|
| L-2 | $49,300.00 |
| L-3 | $50,700.00 |
| L-1 | $52,000.00 |

Taking the above information and discussion into account, it is the opinion of the appraisers that the most probable sales price for the subject is $50,000 per cuerda.

Thus the market value of the **Upland Section** of the subject property is estimated as follows:

| | | |
|---|---|---|
| 19.5608 cuerdas x $50,000.00 per cuerda | = | $978,040.00 |
| Rounded to: | | $980,000.00 |

## ANALYSIS OF THE WETLAND SECTION OF THE SUBJECT PROPERTY

### TABLE L-III MARKET DATA GRID: LAND SALES DESCRIPTION

| Sale No. | Location | Date of Sale | Sales Price | Area | Unit Price |
|---|---|---|---|---|---|
| L-4* | Vega Baja, PR | October 31, 2000 | $ 920,993.00 | 62.0040 | $14,854** |
| L-5* | Vega Baja, PR | June 8, 2002 | $ 481,560.00 | 28.7880 | $16,728** |
| L-6* | Vega Baja, PR | Dec. 6, 2002 | $ 365,000.00 | 82.1306 | $ 4,444** |
| L-7 | Part of the | March 10, 1999 | $6,228,609.15 | 879.0756 | $ 7,085 |
| L-8 | Hoyos Mulas | August 21, 1990 | $ 510,000.00 | 98.8600 | $ 5,159 |
| L-9 | Hoyos Mulas | August 30, 1996 | $ 72,000.00 | 9.0000 | $ 8,000 |
| Subject | | December 2, 1998 | | 15.3692 | |

* This is part of an assemblage acquired for a development which will include residential, golf course and preservation. These three comparable sales were included in this analysis because they were acquisitions without road frontage and including wetlands. These should be considered as a single transaction since they were acquired by the same grantee.

**The best figure that represents this single transaction on an unadjusted basis is $12,000 per cuerda ($14,854 + $16,728 + $4,444 = $36,026/3 = $12,009, say $12,000 per cuerda).

## Comparable Land Sales Analysis for the Wetland Section of the Subject Property

From our market analysis and the behavior of the investors in the market segment for conservation or mitigation, the zoning, the infrastructure if any, the topography, the access, the frontage, the corner condition, the exposure, the configuration, the flood rating, the improvements, (if any) or the size of the comparable sales are not significant considerations by the grantee and consequently are not significant valuation factors.

In the case of the size of a property for conservation or mitigation, properties with more area are better, due to the common mitigation requirements of 1:3 or 1:4, based on our observation of the mitigation process.

In this particular case and for the purpose of this analysis, the location is not a significant valuation factor per se. The location may be irrelevant when you are making the evaluation for the property to be bought for the mitigation process. Depending on its location, the type of development and the profitability of the project that will be developed in the property to be impacted, the investors will estimate the price to be paid for the property for mitigation.

The only significant valuation factor to be considered in our analysis is the market condition or time adjustment. This is because when developers have a project that impacts a sensitive property and as a consequence mitigation is necessary, they need to go to the open market and obtain a parcel of land with similar physical characteristics to the property to be impacted in order to comply with the requirements of the government agencies.

## TABLE L-IV MARKET DATA GRID: QUANTITATIVE ANALYSIS

| Characteristics | Subject | Sale L-4 | Sale L-5 | Sale L-6 | Sale L-7 | Sale L-8 | Sale L-9 |
|---|---|---|---|---|---|---|---|
| Price Per Cuerda | --- | $920,99 | $481,56 | $365,00 | $6,228,6 | $510,00 | $72,000 |
| Adjusted for: | | | | | | | |
| Property Rights | Fee Simple | Similar | Similar | Similar | Similar | Similar | Similar |
| Financing Terms (a) | Market | Similar | Similar | Similar | Similar | Similar | Similar |
| Condition of Sale (b) | Arm's | Similar | Similar | Similar | Similar | Similar | Similar |
| Expenditure | None | Similar | Similar | Similar | Similar | Similar | Similar |
| Adjusted Price | ----- | $920,993 | $481,560 | $365,000 | $6,228,609 | $510,000 | $72,000 |
| Sale of Date | Dec. 2, 98 | Oct. 31, 00 | 889 | Dec. 6, 02 | Mar.10, 99 | Aug. 21, 90 | Aug. 30, 96 |
| Market Condition (c). | ----- | -$50,655 | -$50,564 | -$43,800 | -$46,715 | +$127,500 | $5,040 |
| Adjusted Price | ----- | $870,338 | $430,996 | $321,200 | $6,181,894 | $637,500 | $77,040 |
| Size in Cuerdas | 15.3692 | 62.0040 | 28.788 | 82.1306 | 879.0756 | 98.86 | 9.0000 |
| Adjusted Price Per Cuerdas (d) | | **$14,000 (f)** | **$15,000 (f)** | **$3,900 (f)** | **$7,000** | **$6,400** | **$8,600** |

(a) Cash or market indicates that payment was made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
(b) Arm's indicates that this is an arm's length transaction.
(c) 3% adjustment per year.
(d) Rounded figures.
(e) As previously mentioned the first three sales should be considered as a single transaction.
(f) The best figure that represents this single transaction on an adjusted basis is $14,000 per cuerda ($14,000 + $15,000 + $3,900 = $36,026/3 = $32,900/3 = $10,967, say $11,000 per cuerda).

**Conclusion for the Wetland Section of the Subject Property**

We have included six comparable land sales that for the purpose of the analysis are considered as four. All the comparable land sales adequately sustain the market unitary value attributable to the subject property as though vacant. The previously analyzed unitary market indications provided by the market ranged from $6,400 to $11,000 per cuerda. After quantitative and qualitative considerations, the comparables have been arranged in ascending order according to their unitary values per cuerda.

| Land Sale Number | $/Cuerda |
|---|---|
| L-8 | $6,400.00 |
| L-7 | $7,000.00 |
| L-9 | $8,600.00 |
| L-4 to L6 | $11,000.00 |

Taking the above information and discussion into account, it is the opinion of the appraisers that the most probable sales price for the subject is $9,000 per cuerda, based on the observed range plus Comparable Sale Number L-9, most competitive in terms of the size of the subject property.

Thus the market value of the **Wetland Section** of the subject property is estimated as follows:

| | | |
|---|---|---|
| 15.396 cuerdas x $9,000.00 per cuerda | = | $138,564.00 |
| Rounded to | | $140,000.00 |

Thus the Final Market Value of the subject property is estimated as follows:

| | |
|---|---|
| Upland Section of the Subject Property | $ 980,000.00 |
| Wetland Section of the Subject Property | $ 140,000.00 |
| | **$1,120,000.00** |

## RECONCILIATION AND FINAL OPINION OF VALUE

Final reconciliation discusses the strength and weaknesses of each approach and reconciles them into a value that is best supported by the approaches. Reconciliation is defined as follows:

> **The last phase of any valuation assignment in which two or more value indications derived from market data are resolved in a final value estimate, which may be either a final range of value or a single point estimate.**

The opinion of value for the subject property is effective as of December 2, 1998. The indications of value of the subject property are as follows:

| | |
|---|---|
| **By the Direct Sales Comparison Approach** | **$1,120,000.00** |
| **By the Income Capitalization Approach** | **Not Applicable** |
| **By the Cost Approach** | **Not Applicable** |

The Market Value of the Fee Simple Estate of the subject property was estimated by the only applicable method, the Land Sales Comparison Approach. In this particular case, the Income and the Cost to value approach are not applicable because the subject is a vacant parcel of land.

Based on the evidence available and analyzed, it is our opinion that the Market Value of the Fee Simple Estate of the subject property as of the stated effective date is:

| | |
|---|---|
| **Final Opinion of the Market Value of the Fee Simple Estate of the Subject** | **$1,120,000.00** |